BRITISH COLUMBIA
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Stats

Infoline

Contact bcstats.infoline@gov.bc.ca Issue 08-24 June 13, 2008

- **Exports increase 9.4% in April**
- **Manufacturing shipments down 0.2% in April**
- **Housing starts rise 1.4% in May**

The Economy

- **The value of BC exports rose 9.4% (*seasonally adjusted*) in April, taking back ground lost in the previous month (-8.9%) and making this the highest month-over-month growth experienced since May 2004.** Exports to the US were up 4.0%, recovering from the sharp drop (-6.6%) in the value of goods sent south of the border in March. The increase in US-bound exports was largely due to an increase in shipments of energy (+9.9%). The value of both industrial & consumer (+3.3) and forestry (+2.5%) products also increased in April. Shipments to other countries jumped ahead (+17.8%), with double-digit gains in three of the five major commodity groups including a 47.7% increase in the value of energy exports.

  Canadian exports (+2.7%) continued to increase in April, almost entirely as a result of a 9.2% increase in the value of energy shipped to its trading partners. Forestry products were the only other major exported commodity to show a marked increase (+3.1%). Consumer goods, after a strong increase (+8.0%) in the previous month, slid 2.5% lower in April.

  Data Source: Statistics Canada & BC Stats

- **Factory sales from British Columbia's manufacturers inched marginally lower (-0.2%; *seasonally adjusted*) in April compared to the previous month.** Sales by the province's larger industries, including food (-0.7%) and paper (-0.5%), edged down. Comparatively smaller industries, such as plastics & rubber (-1.9%) and beverage & tobacco (-1.4%) registered declines in their sales figures, driving sales of non-durables 0.5% lower. Sales of durable goods, on the other hand, stalled in April. Increased sales from both fabricated metals (+5.7) and machinery (+4.0%) were enough to offset the decline in the value of both primary metal (-3.5%) and non-metallic mineral (-4.2%) deliveries. The value of shipments from BC's wood producers, which of late have struggled with sliding sales, remained unchanged.

  Nationally, Canadian manufacturers saw a 2.0% rise in factory sales in April following a particularly weak March (-1.7%). By province, Ontario (+1.7%), Alberta (+4.3%) and New Brunswick (+17.3%) showed the healthiest increases in sales primarily a result of improved petroleum shipments. Overall, seven provinces reported higher sales figures for April.

  Data Source: Statistics Canada

- **Housing starts in BC were up 1.4% (*seasonally adjusted*) in May, building on a 17.1% gain in the previous month.** An increase (+7.0%) in single-detached housing starts in urban areas of the province offset a reduction (-0.4%) in multiple-unit construction. The Vancouver area saw new housing projects advance 7.1%, as both single-detached (+2.8%) and multiple-unit (+8.1%) starts expanded.

  Nationally, housing starts climbed 4.0% as seven provinces recorded increases, most notably Newfoundland (+100.0%), New Brunswick (+50.0%), Saskatchewan (+33.3%) and Manitoba (+32.4%). However, new building activity declined in Nova Scotia (-28.1%), PEI (-16.7%) and Ontario (-7.4%). *Data Source: CMHC*

- **New housing prices in the province's largest metropolitan areas continued on an upward track in April.** Although Vancouver's New Housing Price Index (NHPI) was up 5.4% compared to the same month of 2007, this was the slowest rate of growth in almost two years.

Report Border Line Threats to Trade

Did you know...
Tuesday the 13th is considered a day of bad luck in Greece, Romania and Spanish-speaking countries while Friday the 17th is unlucky in Italy. *Source: Wikipedia*

Land costs (+6.2%) picked up speed but new housing costs (+4.8%) rose at a slower pace compared to the previous month (+6.3%). In Victoria, the NHPI advanced 1.9% as a double-digit jump in the cost of land (+12.1%) offset a 4.0% drop in building prices.

At the national level, new housing prices increased (+5.2%) at their slowest pace since September 2005. Reflecting Newfoundland's strengthening economy and higher material and labour costs, homebuyers in St. John's saw prices rise a record-high 16.3%. In addition, Saskatoon (+43.7%) experienced the fastest growth in new housing prices for the 12th straight month in April. *Data Source: Statistics Canada*

Beer, Wine and Spirits...

- **British Columbians aged 15 years and over spent an average of $733 on beer, wine and spirits in 2007.** Newfoundland ($757) was the only province with higher per capita sales of alcoholic beverages. Spending in the Yukon ($1,159) and Northwest Territories including Nunavut ($895) was well above the national average ($667).

Beer ($308) remained the most popular alcoholic beverage in BC, followed by wines ($216) and spirits ($210). Nationally, per capita sales of beer ($312) dominated the market but were relatively unchanged (+0.5%) from 2006 levels. Although wines ($187) and spirits ($168) each accounted for a smaller share of spending in Canada, sales were up 8.0% and 4.3%, respectively.

Provincial and territorial liquor authorities earned $5.0 billion from sales of alcoholic beverages in 2007, up 5.2% from the previous year. All provinces recorded revenue gains, most notably Alberta (+10.3%) and Saskatchewan (+9.7%). In BC, revenues advanced 5.1% to $849 million. *Data Source: Statistics Canada*

Crime

- **In 2006, police services representing 87% of Canada's population reported 892 hate-motivated crimes, of which 6 in 10 were motivated by race/ethnicity.** In addition, one-quarter of hate crimes were motivated by religion and 1 in 10 by sexual orientation. However, hate crimes accounted for less than 1% of all criminal incidents reported by police.

Among the 502 incidents motivated by race/ethnicity, half were targeted at Blacks, 13% at South Asians and 12% at Arabs or West Asians. With respect to the 220 hate crimes reported by police to be motivated by religion, offences against the Jewish faith (63%) were the most common. The remaining incidents were against Muslims (Islam) (21%) and Catholics (6%).

More than half (56%) of the 80 incidents motivated by sexual orientation were violent, higher than the proportion of hate crimes motivated by race/ethnicity (38%) or religion (26%). Consequently, incidents driven by hatred towards a particular sexual orientation were more likely to result in physical injury to victims.

Young people aged 12 to 17 were more likely than older age groups to be accused of a hate crime, accounting for more than a third (38%) of all persons accused of this type of offence in 2006. Police-reported data also show that, for youth and adults combined, males were two and a half times more likely than females to be victims of violent hate-motivated crimes.

Data Source: SC Cat. # 85F0033MWE2008017

The Nation

- **In the first quarter of 2008, labour productivity of Canadian businesses dropped (-0.3%) after falling in the previous quarter (-0.7%).** While the total number of hours worked remained unchanged, the volume of output shrank (-0.3%) and, as a result, productivity too was down. On a per-hour basis, compensation to workers in Canada increased during the first quarter. Coupled with the decline in productivity, the cost of labour per unit of output rose 1.6%. However, Canadian businesses saw an improvement in their competitive position relative to the US when labour unit costs were adjusted for the exchange rate.

Data Source: Statistics Canada

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database, otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

Contact: Dan Schrier
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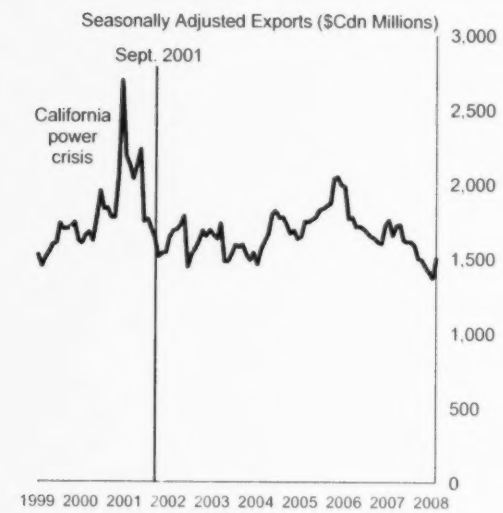
Originally published in
Exports Issue 08-03

Border Line Threats to Trade

Given the volume of trade between Canada and the United States, anything that threatens the movement of those goods is a cause for concern in both countries. In 2007, two-way trade in goods between Canada and the US was valued at $576.4 billion, of which $43.2 billion, or approximately 8%, was cleared through BC ports. However, companies on both sides of the border are expressing concern that rising costs due to border delays and increased security in the wake of 9/11 could pose a threat to that trade.

Nevertheless, contrary to what seems to be the common perception, there has not been a reduction in exports to the United States as a result of the 'thickening' of the border due to new security procedures following 9/11. When examining data for British Columbia, this is not readily apparent, since there was a substantial drop in the value of exports; however, this is due to the energy crisis in California and the ramp up in the value of electricity that temporarily boosted BC's exports to the US well beyond 'normal' levels. If data prior to 2000 is observed, one can see no appreciable decline in the value of BC's exports after 2001, at least not one that could be attributed solely to border problems.

BC origin exports to the United States did not suffer an appreciable drop-off after 9/11



Source: BC Stats

In fact, a study by the Conference Board of Canada found that the post-9/11 atmosphere of increased security has had no effect on the volume of Canadian commodity exports to the United States.[1] However, the report did find that the costs of doing business across the border have increased and cautioned that "Given the long-term horizons for investment decisions, we may not yet have observed the full economic repercussions of the post-9/11 border security environment."[2]

The cost increases stem from both the uncertainty caused by delays at the border as well as a number of new fees put in place to pay for new security measures. The border delays are being caused by a combination of several factors, including insufficient infrastructure (i.e., not enough border crossings or too few lanes at existing crossings), understaffing on both sides of the border, inefficient processes (e.g., requiring clearance by more than one official) and constantly changing regulations. According to the Conference Board report, some progress has been made with some of these issues and wait times at the border are decreasing.

[1] Goldfarb, Danielle, Reaching a Tipping Point? Effects of Post-9/11 Border Security on Canada's Trade and Investment, The Conference Board of Canada, June 2007.
[2] Goldfarb, p. 20.

Nevertheless, the uncertainty surrounding the time necessary to move goods over the border has resulted in a regression of sorts, back to the methods that preceded the Canada-US Free Trade Agreement. Companies are being forced to abandon just-in-time delivery systems in which goods are delivered just as they are needed, thus avoiding warehousing costs, and instead, are having to stockpile goods, thereby reducing efficiency and increasing costs. Exporters are also changing the manner in which they do business in other ways, such as shifting to different border crossings or crossing at off-peak times, both of which could represent a loss in efficiency and an increase in costs.

There have been a number of initiatives put in place by both the Canadian and American governments to help speed up border crossings for low-risk carriers, such as Free and Secure Trade (FAST), Customs-Trade Partnership Against Terrorism (C-TPAT) and Partners in Protection (PIP), just to name a few. All these programs are designed to fast track border crossings by pre-approving cargo, undergoing security audits, or other similar measures. There are costs to be borne by the exporter for most of these programs, including fees that are sometimes quite significant. However, many exporters have been more than willing to pay these costs to gain more certainty with regard to the time it takes to ship goods.

Unfortunately, some of these programs are not very well co-ordinated and exporters can be subjected to duplication in fees. Also, they are discovering that enrolment in these programs does not necessarily guarantee cost savings. A report produced jointly by the Canadian and U.S. Chambers of Commerce warns that, "Unfortunately, participation in these programs is providing few benefits. Of concern are the increasing rate of inspections and the imposition of additional border fees that are being put in place without consideration to the level of risk of the shipments or the compliance level of the importer. Participants face similar increases in fees, border delays, and compliance burdens as those outside the program. The benefits of participation may not outweigh the costs."[3]

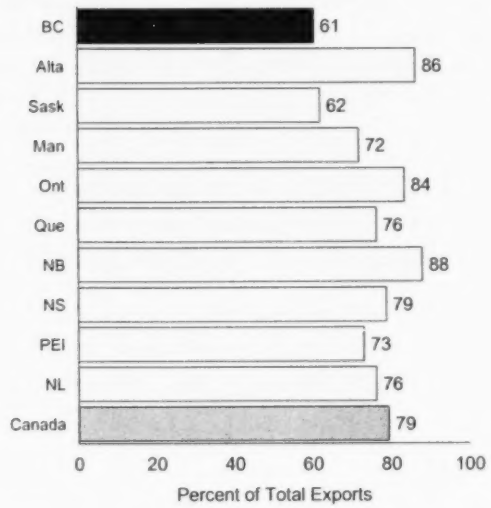
These new fees are particularly costly to manufacturers that ship inputs back and forth across the border. For example, parts for a vehicle manufactured in North America may cross the border as many as seven times during production, incurring a fee each time.[4] The same is true for many processed foods. As a result, products manufactured in North America are at a competitive disadvantage compared to goods made in other countries that only get charged the fee on the completed product. In a speech to the North Carolina Technology Association, Perrin Beatty, the President and CEO of the Canadian Chamber of Commerce, railed against this policy, stating, "This means that, as a direct result of government policy, we are discriminating against products manufactured in North America and in favour of those produced abroad at a time when the North American industrial base is under unprecedented pressure...Economists have a word for this—'dumb.'"[5]

The concern for Canada is that companies will relocate all or part of their operations to the United States in order to avoid the hassles with the border. The US is the primary market for these goods and, presumably, the only reason these companies locate part of their operations in Canada is because it is cost-effective to do so. If the costs of cross-

[3] Canadian Chamber of Commerce and U.S. Chamber of Commerce, Finding the Balance: Reducing Border Costs While Strengthening Security, February 2008, p. 7.
[4] Chambers of Commerce, p. 5.
[5] As quoted in, "U.S. tight security hurts cross-border business," Vancouver Sun, April 24, 2008, p. C9.

ing the border continue to mount, they may reach a 'tipping point.' "That is the point at which the advantages of locating production in the far larger U.S. market and avoiding the border entirely outweigh the advantages of locating parts of production in Canada."[6]

The US is the primary destination for Canadian exports, regardless of province of origin



Source: Statistics Canada

In addition to the threat of losing manufacturing facilities and the jobs attached to them, Canadian exporters could also see their share of the US market decline if the border costs make their products uncompetitive with foreign manufacturers. The United States is by far the primary market for exports from each and every province in the country. Even for BC, which is tied with Saskatchewan as the least dependent province in terms of trade with the United States, the US is still the destination for 61% of the province's goods exports. On the flip side, even though China has surpassed Canada as the top source of imports into the United States, Canada is still the top destination for American exports and the most significant trade partner to the US in terms of two-way trade. Neither country can afford to treat trade matters between the two nations lightly.

Although the Conference Board report found that trade between Canada and the United States has not fallen as a result of costs at the border, there is no way of knowing whether or not the volume of trade would have expanded even more if it weren't for these border constraints. Security is clearly an important goal, but there are ways to attain greater security while maintaining a strong trade relationship. Both the Conference Board and Chambers of Commerce reports offer many suggestions on how a balance can be achieved between maximizing security while minimizing trade costs. It is in the best interest of both Canada and the United States to try to realize that balance.

[6] Goldfarb, p. ii.

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BC at a glance . . .

POPULATION (thousands)	Jan 1/08	% change on one year ago
BC	4,414.0	1.5
Canada	33,143.6	1.1
GDP and INCOME (Revised Apr 28)		
(BC - at market prices)	2007	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	190,214	5.5
GDP *($ 2002 millions)*	163,200	3.1
GDP *($ 2002 per Capita)*	37,258	1.7
Personal Disposable Income *($ 2002 per Capita)*	24,728	3.0
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Apr	3,350	-0.2
Merchandise Exports - Apr	2,523	9.4
Retail Sales - Mar	4,848	2.0
CONSUMER PRICE INDEX	% change on	12-month avg
(all items - Apr 2008)	one year ago	% change
BC	1.7	1.4
Vancouver	1.9	1.7
Victoria	1.4	0.8
Canada	1.7	2.1
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	May '08	prev. month
Labour Force - BC	2,426	-0.2
Employed - BC	2,317	-0.3
Unemployed - BC	108	2.9
		Apr '08
Unemployment Rate - BC *(percent)*	4.5	4.3
Unemployment Rate - Canada *(percent)*	6.1	6.1
INTEREST RATES (percent)	Jun 11/08	Jun 13/07
Prime Business Rate	4.75	6.00
Conventional Mortgages - 1 year	6.15	7.00
- 5 year	6.65	7.29
US-CANADA EXCHANGE RATE	Jun 11/08	Jun 13/07
(avg. noon spot rate) Cdn $ per US $	1.0174	1.0667
(closing rate) US $ per Cdn $	0.9804	0.9376
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	May '08	one year ago
BC	777.77	4.9
Canada	777.54	4.5

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

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Released this week by BC Stats

- Labour Force Statistics, May 2008
- Exports, April 2008

Next week

- Consumer Price Index, May 2008

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